



General Assembly

February Session, 2004

Raised Bill No. 5538

LCO No. 1836

01836_____CE_

Referred to Committee on Commerce

Introduced by:
(CE)

***AN ACT CREATING A MICROLOAN PROGRAM FOR
MICROENTERPRISES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2004*) As used in sections 1 to 5,
2 inclusive, of this act and section 32-235 of the general statutes, as
3 amended by this act:

4 (1) "Community Economic Development Fund" means the entity
5 established pursuant to subsection (b) of section 8-240k of the general
6 statutes to accomplish the community economic development
7 program.

8 (2) "Financial institution" means any trust company, bank, savings
9 bank, credit union, savings and loan association, insurance company,
10 investment company, mortgage banker, trustee, executor, pension
11 fund, retirement fund or other fiduciary or financial institution.

12 (3) "Microenterprise" means any business, new or existing, with ten
13 or fewer employees and annual gross revenues of less than five
14 hundred thousand dollars, including home-based and owner-operated

15 businesses.

16 (4) "Microloan generation organization" means any community-
17 based nonprofit organization that is capable of providing the services
18 enumerated in section 3 of this act.

19 (5) "Nonstate funds" means funds that come from any source,
20 including private foundations, federal or local governments, quasi-
21 governmental entities or financial institutions, other than funds
22 appropriated by the General Assembly.

23 (6) "Program" means the microloan program for microenterprises.

24 Sec. 2. (NEW) (*Effective October 1, 2004*) (a) There is established a
25 pilot microloan program for microenterprises. The Community
26 Economic Development Fund shall (1) provide microloans, not to
27 exceed fifty thousand dollars, to microenterprises within the state in
28 accordance with subsection (f) of this section, (2) provide grants, not to
29 exceed twenty-five thousand dollars, to microloan generating
30 organizations in accordance with section 4 of this act, and (3) identify
31 and coordinate nonstate funds that may be available to fund the
32 program.

33 (b) There is established an account to be known as the "microloan
34 revolving account for microenterprises" which shall be a separate,
35 nonlapsing account within the General Fund. The account shall
36 contain (1) any moneys allocated pursuant to subsection (c) of this
37 section, and (2) any moneys required by law to be deposited into the
38 account, including, but not limited to, any moneys appropriated by the
39 state, any proceeds from the sale of state bonds pursuant to section 32-
40 235 of the general statutes, as amended by this act, and interest
41 payments and principal payments on microloans, minus reasonable
42 and necessary expenses incurred by the Community Economic
43 Development Fund in administering microloans and grants under the
44 program established under this subsection. Any balance remaining in
45 the account at the end of any fiscal year shall be carried forward in the

46 account for the next succeeding fiscal year. The account shall be used
47 to make microloans in accordance with subsection (f) of this section, to
48 make grants to microloan generating organizations in accordance with
49 section 4 of this act, and to pay reasonable and necessary expenses
50 incurred by the Community Economic Development Fund in
51 administering such microloans and grants under the program
52 established under this subsection.

53 (c) The Community Economic Development Fund may, at its
54 discretion, transfer any of its available appropriations, bond proceeds
55 and any nonstate funds to the account established under subsection (b)
56 of this section. The Community Economic Development Fund may
57 participate with other lenders in loans to applicants in order to
58 leverage the funds being loaned.

59 (d) In order to qualify for a microloan an applicant shall present
60 evidence satisfactory to the Community Economic Development Fund
61 that the amount loaned from the account established under subsection
62 (b) of this section shall be matched by nonstate funds equivalent to one
63 dollar for each one dollar loaned from the account, or by an in-kind
64 equivalent for each one-dollar loaned from the account.

65 (e) Any microloan shall be used by a microenterprise for business
66 start-up costs or the day-to-day operation of the business, in
67 accordance with policies established by the Community Economic
68 Development Fund pursuant to subsection (g) of this section. The
69 proceeds from any microloan made pursuant to this section shall not
70 be used by the microenterprise for the refinancing of existing loans.

71 (f) Each microenterprise applying for a microloan under subsection
72 (a) of this section shall submit an application in such form and
73 containing such information as the Community Economic
74 Development Fund shall require. Security for the microloan shall be in
75 accordance with underwriting and collateral requirements established
76 by the Community Economic Development Fund pursuant to
77 subsection (g) of this section. In addition to any other conditions of

78 default under the microloan, the microenterprise shall be in default if
79 the microloan is not used for the purposes set forth in subsection (e) of
80 this section.

81 (g) The Community Economic Development Fund may establish
82 policies and procedures to carry out the provisions of this section. Such
83 policies and procedures may provide for microloan repayment terms,
84 interest and security requirements, default and remedy provisions,
85 and such other terms and conditions as the Community Economic
86 Development Fund deems appropriate.

87 Sec. 3. (NEW) (*Effective October 1, 2004*) Grants made by the
88 Community Economic Development Fund to microloan generating
89 organizations shall be used to:

90 (1) Identify appropriate microloan applicants state-wide;

91 (2) Evaluate the need for a prospective microloan applicant's
92 business in the community in which the microenterprise is or would be
93 located;

94 (3) Evaluate community support for a prospective microloan
95 applicant's business in the community in which the microenterprise is
96 or would be located;

97 (4) Work in conjunction with other community-based nonprofit
98 organizations, state and federal agencies and with the Community
99 Economic Development Fund to assist prospective microloan
100 applicants in preparing and finalizing business plans;

101 (5) Assist prospective microloan applicants in obtaining and
102 submitting microloan applications in accordance with subsection (f) of
103 section 2 of this act;

104 (6) Assist prospective microloan applicants in identifying and
105 accessing other appropriate business resources, including those
106 providing business management training;

107 (7) Track client data, level of service and outcome of services
108 provided; and

109 (8) Submit regular reports to the Community Economic
110 Development Fund based on the grant agreement with the microloan
111 generating organization.

112 Sec. 4. (NEW) (*Effective October 1, 2004*) The Community Economic
113 Development Fund shall consider the following criteria in making a
114 grant to a microloan generating organization:

115 (1) Sources and sufficiency of operating funds for the microloan
116 generating organization;

117 (2) The ability of the microloan generating organization to provide
118 the services required under section 3 of this act; and

119 (3) The proven ability of the microloan generating organization to
120 identify and prepare successful applicants to economic assistance
121 programs similar to the program established in this act.

122 Sec. 5. (*Effective October 1, 2004*) Not later than June 30, 2006, the
123 board of directors, established in accordance with section 8-2401 of the
124 general statutes, as amended, shall submit a report, in accordance with
125 section 11-4a of the general statutes, of the status and results of the
126 pilot microloan program for microenterprises established under
127 section 2 of this act to the joint standing committee of the General
128 Assembly having cognizance of matters relating to commerce.

129 Sec. 6. Subsections (a) and (b) of section 32-235 of the general
130 statutes are repealed and the following is substituted in lieu thereof
131 (*Effective October 1, 2004*):

132 (a) For the purposes described in subsection (b) of this section, the
133 State Bond Commission shall have the power, from time to time to
134 authorize the issuance of bonds of the state in one or more series and
135 in principal amounts not exceeding in the aggregate five hundred five

136 million [three] four hundred thousand dollars, provided ten million
137 dollars of said authorization shall be effective on July 1, 2003.

138 (b) The proceeds of the sale of said bonds, to the extent of the
139 amount stated in subsection (a) of this section, shall be used by the
140 Department of Economic and Community Development for the
141 purposes of sections 32-220 to 32-234, inclusive, [and] for the
142 Connecticut job training finance demonstration program pursuant to
143 sections 32-23uu and 32-23vv, and for the pilot microloan program
144 established under section 2 of this act provided, (1) three million
145 dollars shall be used by said department solely for the purposes of
146 section 32-23uu and not more than five million two hundred fifty
147 thousand dollars of the amount stated in said subsection (a) may be
148 used by said department for the purposes of section 31-3u, (2) not less
149 than one million dollars shall be used for an educational technology
150 grant to the deployment center program and the nonprofit business
151 consortium deployment center approved pursuant to section 32-41l,
152 [and] (3) not less than two million dollars shall be used by said
153 department for the establishment of a pilot program to make grants to
154 businesses in designated areas of the state for construction, renovation
155 or improvement of small manufacturing facilities provided such grants
156 are matched by the business, a municipality or another financing
157 entity, and (4) not less than one hundred thousand dollars of the
158 amount stated in subsection (a) shall be used to fund the microloan
159 revolving account for microenterprises established under subsection
160 (b) of section 2 of this act. The commissioner shall designate areas of
161 the state where manufacturing is a substantial part of the local
162 economy and shall make grants under such pilot program which are
163 likely to produce a significant economic development benefit for the
164 designated area.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>

Sec. 3	<i>October 1, 2004</i>
Sec. 4	<i>October 1, 2004</i>
Sec. 5	<i>October 1, 2004</i>
Sec. 6	<i>October 1, 2004</i>

Statement of Purpose:

To create a pilot program to provide funding and other assistance to foster microenterprises in the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]